

THE STATUS OF CORPORATE SOCIAL RESPONSIBILITY IN ETHIOPIA

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ABSTRACT

The purpose of this study is to examine the status of CSR in Ethiopia and provide recommendations about the role of Ethiopian Government to support a CSR agenda and intervention policy to address social challenges. Document review was employed as data collection methods and data analysis and collection were performed simultaneously. It can be concluded that in Ethiopia, there is no general aversion to the concept of CSR and the CSR label has been applied to many initiatives and political programs without any effective strategic discussion never having taken place this is due to the fact that the Ethiopian's public policy makers have never developed a strategic concept on the topic of CSR. Overall, the shortcomings cannot be ascribed to the business community, but to the lack of a political framework. Therefore, CSR should be discussed in Ethiopia in a programmatic manner, and a long-term national CSR policy should be developed based on the four key principles: strategy, communication and awareness, transparency and cooperation.

Key words: CSR, Ethiopia, policy, strategy.

1. Introduction

Corporate social responsibility (CSR hereafter) covers various dimensions, including economic development, ethical behaviors, environmental protections, stakeholders' participation, transparency, accountability, responsible practice, moral obligation, and corporate responsiveness

(Rahman, 2012). It usually involves the development of network relations, as both private and government actors invest in and draw upon social capital (Habisch and Moon, 2006). Over the last decade, governments have joined other stakeholders in assuming an important role as drivers of

CSR (Moon, 2004) and adopting public sector roles in strengthening CSR (Fox et al., 2002). Several governments are stepping in with their commitment to corporate governance as they are putting their social and environmental responsibility agenda through different frameworks. Many countries are following the guidelines of the International Labor Organization (ILO) and the Organization for Economic Cooperation and Development(OECD). These international organizations have provided highly recognized international benchmarks for transparent and accountable practices (Camillier, 2012).

During the period of 1990s, the private sector's CSR agenda was based primarily on the twin recognition that business is a part of society, and that companies have the potential to contribute to environmental and societal goals. For suppliers in middle- and low- income countries in particular, CSR has become an important factor in reaching out to global markets. For their part, large transnational companies have increasingly found that integrating a responsible approach to environmental, social and governance issues into their core business activities is a key factor in ensuring long-term viability and success. The public sector

too has become an important actor in promoting the CSR agenda. Governments around the world have become increasingly proactive in creating an enabling environment for CSR. Governments have started to see CSR as a subject with relevance for public policy, due to its ability to enhance sustainable and inclusive development, increase national competitiveness and foster foreign investment. Much of this can be achieved by means of policy tools to encourage voluntary business activities as a complement to traditional regulatory channels (Peters, and Röß, 2010).

Governments which show proactiveness in policy making related to CSR activities of companies benefit through increased peace and stability, enhanced environmental protection, increased public trust due to the mainstreaming of sustainable development and assurance to communities adversely affected by the business activities of getting redress (Calder and Culverwell, 2005). A World Bank report suggests that for situations where market driven forces work, the public sector can adopt a more relaxed approach or facilitate voluntary initiatives, whereas where the “business case” for CSR is not so strong as it needs to

be incentivized through regulatory reform, forming strategic partnerships with business and civil society (Petkoski and Twose, 2003).

This Article examines the status of CSR in Ethiopia and provides recommendations about the role of Ethiopian Government to support a CSR agenda and intervention policy to address social challenges through CSR.

2. Literature Review

2.1 Government's Interest in CSR

The major problems and challenges for governmental agencies in promoting a CSR agenda is to identify priorities, increase awareness, create incentives and support, and mobilize resources from cross sectoral cooperation that are meaningful in the national context, as well as building on existing initiatives and capacities. There are critical reasons as to the governments do care about the CSR agenda (Steurer, 2010):

First, governments are interested in CSR on the grounds that the particular business endeavors can help to meet policy objectives on a voluntary basis. This inspiration touches not only on policy objectives related to sustainable development and

environmental protection, but also to foreign policy goals such as human development and development assistance (Haufler, 2001). Second, CSR policies are viewed as an attractive complement for hard-law regulations in cases where new regulations are politically not attractive or infeasible (in particular at the international level; for examples see (Haufler, 2001). Compared to hard-law regulations, the soft-law character of CSR and CSR policies implies relatively low political costs in terms of resistance by special interest groups (Moon, 2002, 2007). Third, governments inevitably characterize CSR negatively with traditional social and environmental regulations because the ‘voluntary business contribution to sustainable development’ starts where the legal framework ends (Steurer, 2010). Fourth, a look into the governance literature of recent years demonstrates that the soft approach of CSR policies agrees with a broader transition of public governance altogether, which leads away from hierarchical regulation towards more network-like and partnering modes of self- and co-regulation (Kooiman, 1993, 2003; Pierre, 2000; Rhodes, 1996, 1997). The fifth and lastly, since CSR is concerned with managing business relations with a broad matrix of stakeholders, the concept

obviously reshapes not only management routines but also the roles of, and relations between, businesses, governments, and civil society (Steurer, 2010).

2.2. Role of a Government to support CSR

Government activities are vital to making an enabling environment for private sector development that reduces risks, lowers costs and barriers of operation, and raises rewards and opportunities for competitive and responsible private enterprises. The challenge for governmental agencies in promoting a CSR agenda is to distinguish priorities, raise awareness, create incentives and support, and mobilize resources from cross-sectoral cooperation that are meaningful in the national context, as well as building on existing initiatives and capacities. Some key roles which a government can actively choose to engage to support a CSR agenda, (Fox, Ward, and Howard, 2002) include (but are not limited to) the following:

Regulating: While CSR is regularly seen as voluntarily going beyond local requirements, governments can utilize stricter regulation (Considine, and Lewis, 2003). This can come in the form of laws,

regulations, penalties, and related measures to control aspects of business investment or operations. Governments at various levels can regulate the behavior or practice of business by defining minimum standards for business performance embedded within the legal framework; establishing targets for business to achieve; setting up enforcers and inspectorates to oversee business conduct; proclaiming codes or laws to confine undesirable business conduct; or imposing license of operation or mandatory environmental friendly industrial systems. Examples of this include establishing a minimum age for labor forces (Fox et al., 2002).

Facilitating: Through facilitation, governments enable companies to take part in CSR to drive social and environmental improvements. Government may offer tax incentives and penalties to promote responsible business; ensure business can access information needed; facilitate understanding of minimum legal requirements for issues relating to responsible business practice; incorporate CSR components in related policy areas (such as industrial policy, trade policy, environmental policy, and labour policy); offer capacity building, business advisory

services and technical assistance to business when required; or, support supply chain initiatives and voluntary certification (Fox et al., 2002).

Brokering: Government can go about as a broker in partnering public sector agencies, businesses, civil society organizations and other stakeholder groups in tackling complex social and environmental challenges. Government can do this by initiating dialogue in multi-stakeholder processes; supporting joint government-industry collaboration in capacity building and developing sectoral CSR guidelines; engaging stakeholders in standards-setting processes; promoting public-private partnerships for community development; and mobilizing resources. In this role as broker, government can likewise invigorate the engagement of key actors in a CSR agenda by, for example, providing funding for research or leading campaigns, information collaboration and dissemination, training, or raising awareness (Fox et al., 2002).

Warranting: It can take different forms, including commitment to execute international principles; education or awareness raising programs; official policy documents; publicity of good CSR practice

conducted by other leading companies; specific CSR related award schemes (such as a National Green Business Award); or, endorse specific pro-CSR indicators, guidelines, systems and standards (Fox et al., 2002).

2.3 Types of government intervention in CSR

In selecting the appropriate types of policy intervention, governments must take into account local socioeconomic, political and cultural contexts as well as the specific problems or action areas in and through which social change is desired. Governments may wish to combine different types of intervention in order to address social challenges effectively. Practical experience shows that various types of government interventions can comfortably coexist, and can in fact be complementary. There are at least four types of government intervention that can usefully be distinguished (Peters and Röß, 2010).

Awareness-raising: Awareness-raising instruments represent an important tool for governments in disseminating the idea of CR and providing incentives for business to adopt it. Aimed at demonstrating how companies can contribute to sustainable

development, these tools are often used to create a common understanding of CR among companies and their stakeholders. Raising awareness is an important first step leading to public sector engagement in CR. Specific examples of policy instruments include: tax exemptions for social or philanthropic investments, Internet platforms and award schemes that increase the visibility of CR activities, training and capacity building for small- and medium-sized enterprises (SMEs), and providing funding for research on CR.

Partnering: Partnering instruments lie at the heart of the CR public policy agenda. Partnerships combine the expertise, competencies and resources of the public sector with those of business and other societal actors to address action areas within the CR agenda, thus creating benefit for all. In these partnerships, governments may be the initiator, a moderator or facilitator. For example, governments can launch multi-stakeholder dialogues, undertake collective action or capacity building efforts with companies, involve various stakeholders in standard-setting procedures or simply mobilize financial resources. Numerous partnerships have evolved in recent decades to tackle issues such as poverty reduction,

access to health and safety, and educational infrastructure.

Soft law: Soft law interventions to promote CR are non-regulatory interventions. Examples of soft law policies include the promotion of universal principles such as the UN Global Compact and the OECD Guidelines for Multinational Enterprises, the inclusion of corporate responsibility criteria in public procurement procedures, and the establishment of a national action plan on CR. Soft forms of regulation may offer an attractive complement to legislation. Unlike mandatory instruments, which often require long and intensive negotiation processes, soft law instruments can provide a flexible approach that can be easily adapted to a variety of policy fields.

Mandating: Mandating instruments are often used to set and enforce minimum standards for business performance in CR-relevant areas such as environmental protection, anti-corruption and labor laws. These standards can come in the form of laws, regulations or sanctions which regulate and enforce business activities. Legal frameworks for corporate responsibility vary widely depending on a country's socioeconomic and cultural framework. Although CR is generally considered a

voluntary tool, a number of governments have implemented mandatory measures in recent years that oblige companies to report on their CR-associated business activities or to initiate public private partnerships.

3. Research Methodology

Document review and interview are considered major methods of data collection in qualitative research (Creswell 2007). Therefore, document review was applied as data collection methods in this study. The documents review was conducted in two major parts. The first part involved a review of Constitution of the Federal Democratic Republic of Ethiopia (Proclamation No. 1/1995), Labor Proclamation No.377/2003, Trade Practice and Consumers' Protection Proclamation No. 685/2010 and social related policies of the country. The second part involves a review of Articles, Research Paper Series, thesis and books. Data analysis in this study was based on content analysis (Weber 1990; Creswell 2009). Data analysis and collection were performed simultaneously.

4. Discussion

The Status of CSR in Ethiopia

CSR policies take on a number of forms in various countries. A country's traditions and

political culture determine to a large extent how the government there addresses the topic. At the same time, public discourse in each country is also focusing on which topics and measures should be included under the CSR rubric. The public sector has a number of possibilities for influencing the business community's CSR-related behavior. It can impose sanctions, offer partnerships and support research efforts or the company directly.

CSR is currently still in its infancy stage in sub-Saharan Africa including Ethiopia. The majority of initiatives result from a philanthropic rather than a CSR approach. These initiatives are usually promoted by multi-national companies which have a strong social and environmental impact on local communities. The focus is on environmental aspects, the provision of infrastructure, health and microcredit. Projects are often developed in partnership with several actors, comprising government and local authorities, international NGOs or multilateral organizations (Klen Johhana et al., 2013)

The role of NGOs is critical in Ethiopia and the weakness of the economy means that a host of NGOs is present. The history of these organizations correlates directly with

the occurrence of drought and famines over the last three decades; early NGOs, which were mostly international, focused on providing relief. More recently, the domestic NGO sectors have developed and, together with international NGOs, have come to play a prominent role in working with the government and the private sector to improve the country's economic and social resources. As Ethiopia struggles to gain economic momentum, it relies on foreign aid and NGO investment. NGOs in Ethiopia are beginning to address issues of democracy and governance and thus to have a voice in government initiatives. In Ethiopia, CSR (where it exists) is characterized by firms partnering with NGOs to deliver aid and education. The importance of foreign aid and NGOs in Ethiopia suggests that these may be significant influences on the form of CSR in similar developing countries (Robertson, 2009).

An interview conducted on Academicians and Businesspeople revealed that the Ethiopian private sector is not taking the leadership in CSR and private-public partnership is very limited. Firms do not think in terms of CSR, but instead, for the most part, are concerned with economic

survival (IDS, 2013). This is mainly because the main priorities of the Ethiopian policy are investment, output, employment creation, healthcare, education, income and exports and not CSR performance. For the Ethiopian government, responsible business is in the first place business that contributes to growth and survival, although it is recognized that environmental and social values need to take into account (Robertson, 2009). Ethiopia does have a number of regulatory and policy initiatives in place, which indirectly concern CSR. These include: proclamations and policies related to consumers, environmental issues, labor and social issues are among others.

From the environmental side: air pollution, water pollution as well as domestic and industrial wastes are some of the problems that have resulted from the process of industrial expansion and social transformation taking place in the Ethiopia. Consequently, three stage approach such as Constitutional Measure, Policy Measures and Legislative Measures were adopted in order to address these environmental problems and heading towards achieving sustainable development. The 1995 Constitution of Ethiopia has a large environmental scope which defined the

environmental values to be preserved and protected. More specifically, the constitution under Articles 44 and 92 proclaims that all citizens shall have a right to live in a clean and healthy environment. Government and citizens shall have a duty to protect the environment. In addition to this, adoption of Environmental Policy and the Conservation Strategy of Ethiopia, ratification of multilateral environmental Conventions, establishment of the Environmental Protection Authority are some of the basic moves towards heading for environmental protection and sustainable development in Ethiopia.

From the social development front, Ethiopia has developed different social and social related policies to address the pressing social problems in the country. The issue of social development has been getting a growing attention due to the fact that social development is at the center of the overall human development efforts. Expanding human capital and improving human development outcomes is still a central pillar strategy of Growth and Transformation Plan (2011 to 2015). The Government has been taking measures to improve the human resource development as healthy, productive, and trained human resource is

essential for the implementation of government policies, strategies and programs. The main ingredients of this pillar are higher education and adult education, better primary health care, better and closer access to safe water and sanitation facilities, halting the spread of HIV/AIDS and other infectious diseases, better food security and nutrition, and housing conditions (MoFED, 2010).

Constitution of the Federal Democratic Republic of Ethiopia (Proclamation No. 1/1995), among other things, grants rights to labor, form associations, bargain collectively with employers, express grievances, including the right to strike, reasonable limitation of working hours, rest, periodic leave with pay, remuneration for public holidays as well as healthy and safe work environment. As indicated in Article 9(4) of the Constitution of the FDRE, all international agreements including ILO convention ratified by Ethiopia are an integral part of the law of the land. Again, Labor Proclamation No.377/2003, among others, covers contract of employment, duration of employment, salary and wage, hours of work and overtime, monetary and non monetary benefits, working conditions of

women and young workers, occupational safety, health and working conditions, occupational injuries and occupational disease, trade unions and employment associations, collective agreement and collective bargaining.

Trade Practice and Consumers' Protection Proclamation No. 685/2010, among other things, granted consumers to have the right to get sufficient and accurate information or explanation on the quality and type of goods and services he/she purchases; be received humbly and respectfully by any business person and to be protected from such acts of the business person as insult, threat, frustration and defamation; prohibits commercial advertisements about goods and services announced by any one shall not be false or misleading in any manner.

5. Conclusions and Implications

In Ethiopia, there is no general aversion to the concept of CSR. At the same time the CSR label has been applied to many initiatives and political programs without any effective strategic discussion never having taken place. Such indiscriminate use reflects the fact that the Ethiopian's public policy makers have never developed a

strategic concept on the topic of CSR. Overall, the shortcomings cannot be ascribed to the business community, but to the lack of a political framework.

CSR should be discussed in Ethiopia in a programmatic manner, and a long-term national CSR policy should be developed based on the four key principles listed below (Riess and Welzel, 2006):

Strategy: In Ethiopia, a clear political statement on CSR does not exist. In fact, there is a movement to develop CSR programs by the ministry of Industry in collaboration with the World Bank, U.S. Agency for International Development, and others. To reflect current realities, any vision of how society should operate must also explicitly include civic engagement on the part of businesses and cross-sector collaboration as key goals. It is possible to augment such a vision by formulating a specific CSR agenda with concrete measures, set priorities and mandatory goals. Although CSR-related topics are often interdisciplinary in nature, the political Sector should designate an agency or department to take responsibility for and consolidate relevant activities and to serve as an accessible contact for all actors.

Communication and awareness: A change in perception and an increase in awareness are usually the result of a long-term process. Ethiopia currently finds itself at the beginning of such a process, to create awareness on generally accepted CSR principles among the Ethiopia Chamber of commerce, in cooperation with regional chambers ([www. Kpmg.com](http://www.Kpmg.com)). Professional communications activities can help cast such changes in a positive light and depict CSR as an instrument capable of facilitating reform. The public sector should its own initiatives to conduct uniform communications campaign. Elements in such a campaign might include coordinating and promoting research efforts, creating an information portal, supporting existing corporate challenges and developing a series of international events.

Transparency: Clear and comprehensible information on corporate performance in non financial areas must be made available so that stakeholders can make informed choices. The Ethiopian government should promote transparency by initiating a ranking of corporate report something that would increase awareness of “good” products and services among businesses and consumers alike. Such an initiative would necessarily

include further systematic research on CSR ratings in the financial sector and awards for enterprises that have particularly high levels of transparency.

Cooperation: Public-private partnerships should be given priority, both within Ethiopia as well as within its policies for cooperation and development. In particular, facilitating structures (volunteer organizations, community foundations, networks, etc.) that bring together the corporate and NGO sectors should also be promoted in order to ensure that the business community’s civic engagement, especially in terms of its social impact, can be brought closer into alignment with society’s current and future needs.

Finally, the CSR strategy of any government should go through a development process wherein locally appropriate modes of intervention are utilized rather than simply copying models from other countries. Governments should play an important and active role in promoting and mainstreaming CSR and should help business to achieve corporate social responsibility through appropriate legal framework, control and enforcement environment, subsidies and tax incentives.

6. Future Research direction

This study dealt with developing an insight about the status of corporate social responsibility in Ethiopia. A study of this type provides an opportunity for government agencies; private organizations and non government organizations to expand the knowledge and understanding of CSR in a

wider context. A quantitative study on this topic would enhance the knowledge, understanding and testing of generalizations of the concept of CSR in the Ethiopian economic, political and socio- cultural context.

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